

**OPENING STATEMENT OF
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
HEARING ON STABILIZING INSURANCE MARKETS
FOR COASTAL CONSUMERS
WEDNESDAY, SEPTEMBER 13, 2006**

Mr. Chairman, this morning the Capital Markets Subcommittee returns to an issue that we have often reviewed in the past: the availability and affordability of insurance in coastal areas.

From our past work on these matters, we know that the cost of reinsurance typically rises after major events, particularly as providers reassess risk. Most recently, this contraction has led to problems in rebuilding along the Gulf Coast after Hurricane Katrina. In addition, seven of the twelve most costly disasters in our nation's history occurred in 2004 and 2005. So, others are also affected.

I share the concerns of my colleagues about helping the communities affected by these catastrophes. I also want to ensure that we take effective steps to ensure that the people who live in less risky areas pay appropriate and reasonable rates for their insurance policies.

While today's hearing will allow us to gather the additional views of a number of experts on these matters, we are still awaiting the results of the 3 catastrophic insurance studies being prepared by the Government Accountability Office. In the next Congress, we should hear from the GAO about their findings on these matters. In the meantime, today's hearing will help us to better discern the quality of the adjustment process and consumer confusion in the insurance products that they should purchase and at what levels.

We will additionally look into what, if any, role the federal government should play in providing natural catastrophe insurance. I have, however, long had deep reservations about inserting the federal government into the private markets.

Finally, I hope that we will explore the interest in creating an "all-perils policy" that would protect homeowners regardless of the cause of the damage. This product would cover perils like floods, fire, hurricanes, wind damage and earthquakes in just one policy. While this type of product would end consumer confusion about what coverage they need and likely result in less litigation about insurance settlements, it would also come at a considerable cost.

In sum, Mr. Chairman, I look forward to hearing from our witnesses. This is a topic that deserves congressional attention and review.
